Decision ______________

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Expedited Application of San Diego Gas & Electric Company (U902E) Under the Energy Resource Recovery Account Trigger Mechanism.	Application 19-12-001

DECISION GRANTING SAN DIEGO GAS & ELECTRIC COMPANY'S ENERGY RESOURCE RECOVERY ACCOUNT TRIGGER APPLICATION

Summary

This decision grants San Diego Gas & Electric Company (SDG&E)'s Energy Resource Recovery Account (ERRA) trigger application and authorizes SDG&E to refund $138 million of ERRA overcollection to ratepayers through commodity rates, amortized over the remaining months of 2020, using the rate allocation factors approved in D.17-08-030 (SDG&E's 2016 General Rate Case Phase 2 decision).

This proceeding is closed.

1. Background

1.1. Procedural Background

On December 5, 2019, San Diego Gas & Electric Company (SDG&E) filed an expedited application to request authority to refund a forecasted overcollection of $138 million in its Energy Resource Recovery Account (ERRA).

A Prehearing Conference (PHC) was held on January 10, 2020 to discuss the issues of law and fact, whether there is a need for hearing, and the procedural schedule. A technical workshop was held immediately following the PHC to examine the primary factors causing the ERRA overcollection. A Scoping Memo and Ruling was issued on January 21, 2020, which set the scope and schedule for the proceeding.

There are two outstanding motions in this proceeding. This decision addresses these motions. (*See* Section 2. Motions.)

1.2. Relevant Commission Decisions

The Commission has jurisdiction to review an investor owned utility's ERRA trigger application pursuant to Public Utilities (Pub. Util.) Code § 454.5(d)(3), which sets the Commission's objectives in reviewing procurement plans, such as ERRA. This is reflected when the Commission established ERRA trigger mechanisms in Decision (D.) 02-10-062. D.02-10-062 also sets the standards and procedures for ERRA trigger applications. D.02-10-62, Conclusion of Law 15 states:

> Utilities should file by expedited application for approval in 60 days to adjust rates under an AB (Assembly Bill) 57 trigger mechanism if the ERRA balance reaches 4 percent in excess of prior year's annual fuel and purchased power costs. The application should include (1) a projected account balance in 60 days or more from the date of filing depending on when the balance will reach AB 57's five percent threshold and (2) propose an amortization period for the 5 percent of not less than 90 days. The application should also include a proposed allocation of over collection among customers based on our adopted rate design methodology during cost of service regulation.

Subsequently, D.07-05-008 modified ERRA trigger procedures for SDG&E. D.07-05-008 allows SDG&E to file an advice letter if the ERRA balance exceeds the 4 percent trigger point but the IOU reasonably believes the balance will self-correct to below the trigger point within 120 days of filing.[1]

2. Motions

2.1. SDG&E's Motion to File Under Seal

On January 21, 2020, SDG&E filed a motion to file under seal information provided in Attachment A to the Prepared Direct Testimony of Eric L. Dalton (Updated January 21, 2020). SDG&E states that the information contains material, market sensitive, electric procurement-related information and falls within the scope of data that were granted confidential treatment in Decision (D.)06-06-066 and D.14-10-033. SDG&E also states that the information cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.

The data for which SDG&E seeks confidential treatment relate to utility electric price forecasts, generation cost forecasts, long-term fuel buying and hedging plans, and greenhouse gas costs. These types of data were specifically granted confidential treatment in D.06-06-066 and D.14-10-033. We find SDG&E's request to be reasonable and grant SDG&E's Motion to File Under Seal.

2.2. SDG&E's Motion to Offer Prepared Testimony and Comments into Evidence

On January 30, 2020, SDG&E filed a Motion to Offer Prepared Testimony and Comments into Evidence. In the motion, SDG&E requests that the Commission receive the following documents, inclusive of the attachments and related declarations, into the evidentiary record:

1) The confidential and public versions of the Prepared Direct Testimony of Eric L. Dalton dated December 5, 2019;

[1] D.07-05-008 at 6.

2) The pubic and confidential versions of Attachment A to the Prepared Direct Testimony of Eric L. Dalton, Updated January 21, 2020;
3) SDG&E's Comments Summarizing Trigger Workshop; and
4) The Prepared Direct Testimony of Jennifer Montanez, dated January 27, 2020.

We identify the exhibits as follows:

1) Exhibit 1 - Prepared Direct Testimony of Eric L. Dalton, with Attachment A, dated December 5, 2019 (Public Version);
2) Exhibit 1C - Prepared Direct Testimony of Eric L. Dalton, dated December 5, 2019 (Confidential Version);
3) Exhibit 2 - Attachment A to the Prepared Direct Testimony of Eric L. Dalton, Updated on January 21, 2020 (Public Version);
4) Exhibit 2C - Attachment A to the Prepared Direct Testimony of Eric L. Dalton, Updated on January 21, 2020 (Confidential Version);
5) Exhibit 3 - SDG&E's Comments Summarizing Trigger Workshop, with the attached January 10, 2020 ERRA Trigger Workshop Handout; and
6) Exhibit 4 - The Prepared Direct Testimony of Jennifer Montanez, dated January 27, 2020.

Exhibit 1C contains information which SDG&E declares as confidential but did not move for confidential treatment. This set of data was subsequently updated and replaced by data in Exhibit 2C. Thus, we do not rely on data in Exhibit 1C. We deny SDG&E's request to receive Exhibit 1C into evidence.

Parties ~~has~~have not objected to SDG&E's motion to enter these ~~testimony~~testimonies and comments into the record.

Exhibits 1, 2, 2C, 3, and 4 are received into the evidentiary record.

3. Issues Before the Commission

The issues before the Commission are:

1. Whether SDG&E's request to refund an over-collected balance of $138 million is reasonable;
2.
3. Whether the overcollection in the ERRA balance will self-correct to below the 4 percent trigger point within 120 days;
4. What are the causes of the over-collected balance;
5. What is the appropriate schedule and period to amortize the over-collected ERRA balance; and
6.
7. What is the appropriate rate allocation among customers to refund the overcollection.

4. Discussion

4.1. SDG&E's Over-Collected ERRA Balance

Pursuant to D.02-10-062, SDG&E is required to file an expedited application if its ERRA balance is 4 percent in excess of the prior year's annual fuel and purchase power costs. As of February 28, 2019, SDG&E's 4 percent trigger point and 5 percent trigger threshold was $66.9 million and $83.6 million, respectively (Advice Letter 3351-E).

Based on the data SDG&E provided, SDG&E had an under-collected ERRA balance that exceeded the 4 percent trigger point and 5 percent trigger threshold from January 2019 through June 2019. On March 21, 2019, SDG&E requested, through a letter to the Commission's Executive Director, ~~for~~ an extension of the 120-day self-correction period until September 30, 2019. In the letter, SDG&E states that the trend of ERRA under-collection will reverse during the 2019 summer months. SDG&E's request was granted by the Executive Director in a letter dated April 12, 2019.

From April 2019 to September 2019, SDG&E's ERRA balance gradually reversed from an undercollection position to an overcollection position. As of November 30, 2019, SDG&E's ERRA balance was over-collected by $138 million, or 8.4 percent, which exceeded both the 4 percent trigger point and 5 percent trigger threshold.

SDG&E provided the following actual and forecasted ERRA balance for the months of January 2019 through March 2020.[2]

Table 1

SDG&E's ERRA balance (Recorded and Forecasted)

ACTUAL January 31, 2019	$50	(76)	$101	$75	4.7%
ACTUAL February 28, 2019	$75	(74)	$93	$94	5.6%
ACTUAL March 31, 2019	$94	(68)	$100	$126	7.6%
ACTUAL April 30, 2019	$126	(67)	$99	$158	9.5%
ACTUAL May 31, 2019	$158	(71)	$104	$191	11.4%
ACTUAL June 30, 2019	$191	(22)	$(77)	$92	5.5%
ACTUAL July 31, 2019	$92	(110)	$75	$57	3.4%
ACTUAL August 31, 2019	$57	(124)	$74	$7	0.4%
ACTUAL September 30, 2019	$7	(139)	$75	$(57)	-3.4%
ACTUAL October 31, 2019	$(57)	(115)	$32	$(140)	-8.4%
ACTUAL November 30, 2019	$(140)	(89)	$91	$(138)	-8.3%
FORECASTED December 31, 2019	$(138)	(64)	$83	$(119)	-7.1%
FORECASTED January 31, 2020	$(119)	(68)	$67	$(121)	-7.2%
FORECASTED February 29, 2020	$(121)	(60)	$62	$(119)	-11.0%
FORECASTED March 31, 2020	$(119)	(66)	$60	$(126)	-11.6%

[2] Data in the table was obtained from Exhibit 1 (page 4) and Exhibit 2.

As shown in the table above, SDG&E's analysis of potential revenues and expected expenses for November 2019 through March 2020 shows that the ERRA over-collected balance will not self-correct within 120 days of the filing of this Application.

In accordance to D.02-10-062, SDG&E provides a forecast of the projected ERRA balance in 60 days from the date of the Application. SDG&E projects that the ERRA balance will be over-collected by $119 million, or 11.1 percent, on February 29, 2020, approximately 60 days after the date of this Application.

4.2. Causes of the Overcollection

SDG&E states that the primary factor causing the ERRA overcollection is the implementation of the Portfolio Allocation Balancing Account (PABA), which was effective January 1, 2019, pursuant to D.18-10-019.[3] The purpose of the PABA is to record the "above market" revenues and costs associated with all generation resources that are eligible for cost-recovery through the Power Charge Indifference Adjustment (PCIA).

SDG&E states that the establishment of the PABA essentially divides its total portfolio costs between the balancing accounts for the ERRA (generation resources that are at or below market value) and the PABA (generation resources that are above market value).[4] The market value of energy generation resources is set by the California Independent System Operator (CAISO). But, because revenues for energy generation are forecasted, the market value of generation resources is forecasted as well, using a Market Price Benchmark (MPB).[5] The

[3] Exhibit 1 at 5.

[4] Exhibit 3 at 2.

[5] The MPB is determined by Energy Division to calculate the market value of energy procured on behalf of departing customers.

MPB essentially divides the generation revenue requirement between the ERRA and PABA revenue requirement.[6]

SDG&E states that the MPB was higher than the actual recorded CAISO market price. As a result, the ERRA revenues were more than needed to offset the actual ERRA costs, resulting in an overcollection in the ERRA.

SDG&E points to a secondary cause of the overcollection, which on its own would not have caused the ERRA to exceed the trigger point.[7] SDG&E states that the ERRA overcollection was exacerbated when the actual customer load, or energy demand, was lower than forecast.[8]

4.3. Amortization and Rate Allocation of the Overcollection

SDG&E requests to amortize the over-collected balance through the remaining months of 2020.[9] D.02-10-062 directs utilities to propose an amortization period for any ERRA over- or under- collections to be at least 90 days.[10] SDG&E's proposed amortization period is greater than the minimum 90-day period, and in compliance with D.02-10-062. No parties have objected to SDG&E's proposal. We find it reasonable for SDG&E to amortize the over-collected balance through the remaining months of 2020.

SDG&E proposes to refund the overcollection to its bundled customers through commodity rates, using the rate allocation factors that were approved in D.17-08-030 (SDG&E's 2016 General Rate Case Phase 2 decision).[11,12] Refunding

[6] Exhibit 3, Attachment.
[7] Exhibit 3 at 2.
[8] *Ibid*.
[9] *Ibid*.
[10] *See above*. Section 1.2 Relevant Commission Decisions.
[11] Exhibit 4 at 1.
[12] SDG&E states that there are no issues with the refund to its unbundled customers, because SDG&E has no Direct Access or Community Choice Aggregation customers who will depart from bundled service in 2020. *See* Exhibit 4 at 1.

the overcollection through commodity rates, using the rate allocation factors approved in the most recent General Rate Case Phase 2 proceeding, is consistent with the guidelines set out in D.02-10-062, and with previous ERRA balancing account treatment.[13] Thus, it is reasonable to refund the overcollection through commodity rates, using the rate allocation factors approved in D.17-08-030.

5. Conclusion

Based on the data that SDG&E has provided, we conclude that SDG&E's ERRA balance was over-collected by $138 million, or 8.4 percent, as of November 30, 2019, exceeding both the 4 percent trigger point and the 5 percent trigger threshold. We also find that SDG&E's forecast for the over-collected ERRA balance to not self-correct within 120 days is reasonable. The primary cause of the ERRA overcollection is a higher MPB (forecasted) than actual CAISO (market generation) price, resulting in SDG&E collecting more ERRA revenues than needed to offset costs.

In sum, we find it reasonable for SDG&E to refund to ratepayers the over-collected ERRA balance of $138 million through commodity rates, using the rate allocation factors approved in D.17-08-030 (SDG&E's 2016 General Rate Case Phase 2 decision), over the remaining months of 2020.

6. Waiver of Comment Period

Under Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the Commission may reduce or waive the period for public review and comment of an uncontested matter where the decision grants the relief requested. We waive the period for public review and comment pursuant to this rule.

7. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Elaine Lau is the assigned Administrative Law Judge in this proceeding.

[13] Exhibit 4 at 1.

Findings of Fact

1. SDG&E's 4 percent trigger point and 5 percent trigger threshold was $66.9 million and $83.6 million, respectively, effective February 28, 2019, approved in Advice Letter 3351-E.

2. SDG&E had an under-collected ERRA balance that exceeded the 4 percent trigger point and 5 percent trigger threshold from January 2019 through June 2019.

3. SDG&E requested, and was granted, an extension by the Commission's Executive Director to delay filing an expedited ERRA trigger application until September 30, 2019.

4. From April 2019 to September 2019, SDG&E's ERRA balance gradually reversed from an undercollection position to an overcollection position.

5. As of November 30, 2019, SDG&E's ERRA balance was over-collected by $138 million, or 8.4 percent, which exceeded both the 4 percent trigger point and 5 percent trigger threshold.

6. SDG&E's forecast shows that the ERRA over-collected balance will not self-correct within 120 days.

7. The primary cause of the ERRA overcollection is a higher MPB (forecasted) than actual CAISO (market generation) price, resulting in SDG&E collecting more ERRA revenues than needed to offset costs.

8. D.02-10-062 directs utilities to propose an amortization period for any ERRA over- or under- collections to be longer than or at least 90 days.

9. SDG&E's proposed amortization period is greater than the minimum 90-day period, in compliance with D.02-10-062.

10. SDG&E's proposed rate allocation to refund the overcollection, through commodity rates using the rate allocation factors approved in D.17-08-030, is consistent with D.02-10-062 and previous ERRA balancing account treatment.

11. SDG&E has two pending motions: a Motion to File Under Seal, and a Motion to Offer Prepared Testimony and Comments into Evidence. The Motion to file under Seal concerns data that are market sensitive and routinely granted confidential treatment.

Conclusions of Law

1. The Commission has jurisdiction to review an investor owned utility's ERRA trigger application pursuant to Pub. Util. Code § 454.5(d)(3).

2. SDG&E's Trigger Application to refund overcollections in its ERRA account is consistent with D.02-10-062, which established the ERRA trigger mechanism and set the standards and procedures for ERRA trigger applications.

3. SDG&E's forecast that the over-collected ERRA balance will not self-correct within 120 days is reasonable.

4. It is reasonable for SDG&E to refund to ratepayers the over-collected ERRA balance of $138 million through commodity rates, using the rate allocation factors approved in D.17-08-030 (SDG&E's 2016 General Rate Case Phase 2 decision), over the remaining months of 2020.

5. It is reasonable to grant SDG&E's Motion to File Under Seal.

6. It is reasonable to grant SDG&E's Motion to receive Exhibits 1, 2, 2C, 3, and 4 into the evidentiary record.

7. It is reasonable to deny SDG&E's Motion to receive Exhibit 1C into the evidentiary record.

O R D E R

IT IS ORDERED that:

1. Within 30 days of the issuance of this decision, San Diego Gas & Electric Company (SDG&E) shall file a Tier 1 Advice Letter to refund to ratepayers $138 million of over-collected Energy Resource Recovery Account balance. SDG&E shall amortize the overcollection over the remaining months of 2020 through commodity rates, using the rate allocation factors approved in Decision 17-08-030.
2. San Diego Gas & Electric Company's Motion to File Under Seal is granted.
3. Exhibits 1, 2, 2C, 3, and 4, as identified in Section 2.2 (San Diego Gas & Electric Company's Motion to Offer Prepared Testimony and Comments into Evidence), are received into the evidentiary record.
4. Exhibit 1C, as identified in Section 2.2 (San Diego Gas & Electric Company's Motion to Offer Prepared Testimony and Comments into Evidence), is not received into the evidentiary record.
5. Application 19-12-001 is closed.

This order is effective today.

Dated ______________________________, at San Francisco, California.

Document comparison by Workshare Compare on Wednesday, February 19, 2020 5:05:40 PM

Input:	
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Redline Summary:		
No.	**Change**	**Text**
1	Insertion	001 ALJ/EC2/jt2 PROPOSED DECISION (Rev. 1)
2-3	Change	"326933151" changed to "327639425"
4	Insertion	ALJ/EC2/jt2 PROPOSED...ID #18173 (Rev. 1)
5	Insertion	2/27/2020 Item #29
6-7	Change	"Parties has not objected to SDG&E" changed to "Parties have not objected to SDG&E"
8-9	Change	"s motion to enter these...into the record." changed to "s motion to enter these...into the record."
10	Change	"s Executive Director, for an extension of the 120" changed to "s Executive Director, an extension of the 120"

Statistics:	
	Count
Insertions	6
Deletions	4
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	10